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CENTRAL INTELLIGENCE AGENCY  
NATIONAL FOREIGN ASSESSMENT CENTER

14 February 1980

MEMORANDUM

Brazil: Tougher Choices for the Government [redacted]

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SUMMARY

Changing political and economic circumstances are forcing Brazil's Figueiredo administration to pursue policies that have conflicting objectives. The regime may be taking on more than it can handle, and complications could eventually lead to a deemphasis of the political opening now under way.

The regime is seeking to assuage increasing public restiveness--manifested by strikes and the growing appeal of the once-tame political opposition--but still retain its preeminent position. Moreover, the government wants to fight surging inflation--which reached 77 percent in 1979--but not at the expense of economic growth. The margin for error appears to be narrower than ever before.

The Political Plan

The regime's original base of support--businessmen and entrepreneurs, the middle class, moderate politicians, even some clerics--has withered, because of weak economic performance and weariness with continued military-backed rule. In

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an attempt to demonstrate sensitivity and responsiveness to popular concerns, the government is gradually liberalizing the political climate, hoping to regain adherents among moderate civilian groups and undercut the arguments of progressives and radicals.

The regime has dropped its most sweeping decree powers and enacted a more lenient national security law. Police and security officials, for example, are now more accountable for their actions, and as a result of a recent, relatively broad amnesty, political exiles are returning. In addition, there are few limits on freedom of expression and, except for national security matters, the military is not a part of the day-to-day functioning of government. The administration also is accommodating activist students by allowing them to organize nationally--the first time since 1964--although the student group remains technically illegal.

Liberalization can still go much further without civilians actually taking power. Important interim steps remain to be taken--such as revising the constitution and returning to the direct election of state governors, big city mayors, and those federal senators appointed by Brasilia. In the past, the regime's technique has been to advocate a given reform, derive the maximum favorable publicity from its stand, and utilize its congressional majority to impede similar--sometimes more far reaching--efforts by the opposition. It presumably will follow this practice again, thereby suggesting that only Brasilia can deliver significant reforms.

The dual goals of promoting change while retaining control are apparent in new labor policies. Unquestionably, the administration is now more responsive to labor, having taken a conciliatory approach to last year's wave of strikes and permitted real wage gains for the first time in many years. Yet, it clearly aims to reaffirm control over workers and undercut the authority of union leaders. Starting last November, and in accordance with a new official cost-of-living index, it will automatically grant pay hikes twice a year, thus weakening union chiefs. Because it is calculated

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by a group under Delfim Netto, the new economic czar, the index will be particularly subject to manipulation.

The government and the armed forces hope these practices will forestall endless rounds of escalating, inflationary wage demands. They also hope to avert attempts by labor leaders to press for a restructuring of labor's long subservient relationship to the government. Nonetheless, the government may be unable to contain labor's demands and ultimately may be forced to consider returning to more repressive practices.

Brasilia also is altering the political party system. A law recently passed by Congress dissolved the old two-party setup--a constant reminder of authoritarianism since it was created by decree in 1965. The new system is giving rise to a larger number of parties, thus providing officially sanctioned expression for a wider range of views. But the measure also is intended to scatter and isolate the political opposition and protect the government's legislative majority. Moreover, it provides substantial leverage over the functioning of the new parties by forbidding electoral coalitions and specifying that any legislator who leaves his party or fails to vote with it will lose his mandate.

Whether the new system will serve the government's purposes better than the one it replaces is crucial. Past administrations have felt compelled to rig the system to ensure control of congress and state houses. If the new rules prove too obviously contrived, they could add to the dissent rather than safely channel it.

### Outlook

Economically, even marginal improvement in the inflation rate or balance of payments would help the government. Delfim is likely to grasp at any positive indications, however tentative, to prove the correctness of his strategy--a potentially dangerous course should it make him reluctant to acknowledge subsequent negative signs.

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The regime's political steps will affect its ability to implement later stages of the transition to civilian-based government. If the emerging political party system is given any autonomy, it will at some point become dependent on individual political figures, and the interplay of personal and regional rivalries will add an unpredictable dimension that, until now, has been largely irrelevant.

The regime may yet prove sophisticated enough to shape the evolving system in ways that facilitate change and successfully accommodate competing interests. But its past use of gimmickry constitutes a tacit admission that earlier measures did not work to its satisfaction and also calls in to question its political judgment.



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